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So we got those mergers organized and done. As part of that process, then, the DirecTV Group bought out the News Corp and Liberty interests in the merged entity.

In addition, Grupo Televisa bought out a portion of the Liberty interests in Mexico. And then finally, earlier this year we bought out Darlene Investments' minority position in DirecTV Latin America.

So what you end up with today is the DirecTV Group owning 100% of DirecTV Latin America and DirecTV Latin America in turn owning about 74% of the Brazil platform with Globo remaining as a partner down there.

Globo is obviously the largest and most successful broadcaster in Brazil.

We own 100% of the platform in PanAmericana, which is sort of everything ex Brazil and Mexico, and we are roughly a 41% owner in Sky Mexico with Grupo Televisa being the majority shareholder there.

One thing that I do hope you walk away with today in addition to obviously the value story is also just a sense for the scale of our operation and appreciation for the robustness of the service that we provide.

We do have outside, and I hope a few of you were able to look at them before you came in or you'll take the time to look at them on the way out, the service is up and running, we have several screens and DVRs operating out there. What you're actually seeing is the PanAmericana service.

Because of our geography we actually cannot -- in the satellite footprints we can't bring you the Brazil and Mexico services, but we can see the satellite that serves the PanAmericana platform.

So it's the actual service that's up and running. It's what the consumer sees in the market today and I think you'll be -- well, I hope you'll be impressed by what you see.

So it's a very robust service, as I said. If you look at the charts here, it's in excess of 150 channels in every market.

The figures on PanAmericana are higher because obviously we serve multiple countries, but in any given market the number of channels is more in line with the figures that you see in Brazil and Mexico.

We operate five different broadcast centers. One large one, particularly in California, which is somewhat adjacent and jointly operated with DirecTV U.S.

In Brazil we have quite a large operation as well, which pretty much handles all of the Brazil business as well as some business -- some of the transponders for PanAmericana.

And in addition, some somewhat smaller operations in Venezuela, Argentina and Mexico.

We lease satellite capacity from Intelsat on three different satellites today using about, oh, almost but not quite 60 transponders. We're in a bit of a transition there.

The figures there, as outlined between Brazil and PanAmericana, we're still in a bit of a transition as we complete the migration from -- In Brazil from the DirecTV platform to the Sky platform.

So some of those Galaxy III C transponders are still being used by Brazil but that will all be done by the end of this year.

We operate seven different call centers around the region and we employ over 7,000 people.

Included in that figure there are call center people, which is roughly about half of it. So it is a fairly, as I say, robust and complete operation.

Our strategy, for those of you that follow DirecTV U.S. it's going to sound very familiar; it really is all about combining the best content and programming with the best service and technology to provide the best television experience in the region.

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It's pretty straightforward. I think it's something you'll also hear my colleagues talk about and they'll be a little more specific about how they do that in each territory.

On top of that we have the ability to sort of -- to leverage our regional scale as well as the scale of DirecTV U.S. to deliver superior financial performance in terms of lower costs, better margins, leverage with the programmers, et cetera.

And finally, something that I think is different at DirecTV Latin America today than it was maybe even four or five years ago is that we have been able to mitigate some of the regional risk, you have currency risk, et cetera, by maintaining a local cost base where possible.

And I think we are doing that fairly effectively. Unlike in previous years, today, almost without exception, all of our programming contracts are in local currency.

There may be a few that are small, for instance some of the smaller territories, but the big meaningful ones are all in local currency.

And furthermore, basically all the net headcount that I talked to you about is in regions, obviously earnings, at a -- representing a local currency cost

So where before I think in the old days there used to be 300, 400 people in Miami in DirecTV Latin America, today we have about 35 here in New York and 100 in California and everything else is in region.

Let me talk quickly just about that premier programming offering and the content because it really is very much at the heart of what we do. And my colleagues will talk a little bit more about it.

But again, it's a familiar story. We're very strong in sports.

And in Latin America, if you talk about sports, you talk about soccer. And we have clearly the best offering I think of any of the -- any of our competitors.

We have exclusive rights to the Spanish League, which is a very important league because a lot of Latin American players play in the Spanish League.

It's actually a deal that we did among the three of us, the three platforms together, and bought all the rights exclusively. We chose to sublicense some of them in some territories to ESPN.

But we still retain at least 250 exclusive games and certainly in many of the most important games.

In Brazil the local football, we're the only platform that provides all the games, so if you're a serious fan you really have to be a Sky subscriber. In Mexico we have a very rich offering of local soccer as well.

And in particular, the way the broadcasting rules work down there, if you're a home team fan and you want to watch your home team play at home on that game day, you've got to be watching it on Sky.

With the World Cup we had a 24/7 channel that we had up and running nine months before the -- there was a lead-in to the World Cup and then through the World Cup where we carried all the games. We also had a lot of interactive features, 16x9 screens.

So again, the viewing experience, whether it's a DirecTV subscriber or a Sky subscriber, in Latin America was considerably better than what they would have had in some of the other channels, even if we didn't have the games exclusively. We have additional regional soccer.

And then where it's important in other territories, there are other sports than soccer that we do have some exclusive positions as well, specifically, in baseball and there'll be Extra Innings package. It's important for our Venezuela and Puerto Rico markets.

We actually also have introduced this year the Strike Zone channel with a Spanish voice-over, something that clearly the competition can't provide.

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NFL Sunday Ticket. This may be niche in a lot of parts of Latin America, but it's fairly important in Mexico. And then we have a golf channel, polo, a whole host of other programming that is unique to us.

We also do a fair amount of programming that's not sport related, more general entertainment. In many cases we carry that programming on our own general entertainment channels. It's called OnDirecTV on the DirecTV platform. Mexico has it, it's called Sky One.

But it's concerts, events, boxing events, et cetera, sometimes we put on or we just get exclusive coverage of, that is provided to our consumer base. So again, it's a very rich programming offering.

On the side of leveraging scale, as I mentioned, one of things we bring to the table when you're talking to the programmers is four million subscribers.

There isn't anybody else in Latin America that can do that. And when we're speaking to the major programmer providers, you're typically talking to the same guy who sells programming for the entire region.

So it's not about having to go to different parts of the company to try and create the leverage with one person.

And then the last couple of years we've renegotiated deals with Disney, Viacom, Claxon, ESPN, Turner, Discovery, and HBO and in each case been able to get absolute price reductions in addition to additional programmers.

So we have succeeded in using that leverage pretty much across the board.

Furthermore, we're able to leverage the DirecTV U.S. where we can probably more -- not so much in programming, although it helps a bit in Puerto Rico -- really more in the area of production where we're able to, for example I mentioned the Strike Zone. We're just taking a service that's been created for the U.S., porting it over to Latin America with a very modest investment in voice-over, creating some (inaudible) very unique for the market.

Where possible we also try and share services. I took you through a little bit of our broadcast operations where we share those five centers.

On the call center side we recently opened up a call center in Bogot, which serves not only Columbia but actually Puerto Rico.

Puerto Rico is not a great market for -- the employment market was not that attractive, so we were able to eliminate basically the 120 call center headcount that we had in Puerto Rico, which were highly paid and highly -- with a high turnover, for more locally paid Columbians who provide excellent service, excellent standards. We've had absolutely no complaints and very low turnover.

So it's a model that we will then look to replicate around the region and we may be using that center for Argentina as well.

IT networks are all shared. We actually operate those largely out of Brazil where there's particular expertise in this arena. And our creative services and production is also something that we share across the region.

On the technical side I think the real leverage there and the scale economies come not only just from our regional scale, but also very much from our relationship with DirecTV U.S.

And for example, we have -- one of the main strategies that we've done on the technical side since sort of the recreating DirecTV Latin America is to align the technologies between DirecTV Latin America and DirecTV U.S.

Prior to my getting involved and our getting involved, DirecTV -- even DirecTV Latin America and DirecTV U.S. were on different platforms, technical platforms. Not surprising to find that Sky was also on even a third platform.

So we spent a fair amount of effort now to try and align the technologies. So the first and easiest one to do was the PanAmericana and the slide that you see here sort of reflects the kind of cost savings that we've been able to achieve by aligning behind DirecTV U.S.

There is still a little bit of a cost difference between what we pay for, for example this here is a chart on the basic box, what we pay compared to the U.S. But that's because we actually require the manufacturer to make it either in Mexico or Brazil.

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And by doing so, the small incremental cost that we incur by doing so is more than offset by the savings that we get from import duties.

And because of either treaties between the countries or because it's made in Brazil for the purpose of Brazil or in Mexico for the purpose of Mexico, we avoid a lot of import duties for a relatively small cost differential.

And as I said, we're really working pretty hard to try and get everybody on the same roadmap. I would -- this is really more a schematic, but as I mentioned, we've come quite a far -- quite far in the PanAmericana side in terms of aligning the basic box and the DVR.

We're already -- we've already introduced the -- basically the U.S. DVR into PanAmericana and Jacopo will talk about that. And the HD DVR will be early next year for PanAmericana.

Sky lags a little bit behind because we had just a little farther point to come from. But nevertheless, we'll get there pretty much by the end of next year or early '09. So we've made a lot of progress.

And ultimately for us I think the benefit is not just the cost, but it's really the revenue potential. In other words, what it allows us to do is to introduce a product at the same time that it's introduced in the U.S., if we choose to, with the same feature set, same functionality, et cetera, that is just not -- that our cable competition just cannot possibly offer.

They just don't have the level of sophistication, they don't have the scale to justify the investment, and so we really are sort of at least a generation if not two generations ahead of where they are or where they will be as they sort of try and get their way down this technology roadmap as well.

And so I think it really does create a barrier in terms of between us and the competition in terms of what we can offer on the programming side.

Chase talked a little bit about the competitive situation. I do think that there is a difference between Latin America and the U.S. It's easy, I think, to want to at least draw analogies, but I think here I would caution you from doing that.

The cable industry has been in disarray for a long time. I would say it is now stabilized.

You are starting to see some investment going in, particularly I would say Argentina, Brazil and Mexico, where there are some fairly deep pockets that are digitizing their networks there.

But it is still largely an analog universe. And in many cases our competitors can't even offer tiers, they can't offer premium services.

It creates problems at times. We occasionally have issues with piracy, not on our side but because it's so easy to pirate cable a lot of people don't want to pay for pay TV.

But in general, the product that we compete against is just -- is not at all comparable.

There are some new entrants, I would say probably Telmex and Telefonica are the two that are the most -- have been the biggest players. But interestingly what they're doing is they're investing in cable as opposed to talking about doing IPTV.

So I think it will be a battle between us and cable, but I don't think they'll have that easy a time of it. It is a fragmented market.

The nature of the plant is old, the nature of even going around and digging up the streets in some of these places is not that easy, and so it's going to be choppy and not the kind of -- not the kind of thing that's going to change overnight, no matter how much money is put behind it.

But that's not to say that we are naive about where the competition is going and what may happen. So I fully expect that many of these cable companies will be more aggressive about offering the bundle in the future, although it clearly lags the U.S. today.

So we're already -- it's putting together alliances between major telco companies and ourselves in order to offer a bundled product. It's very early. The numbers are not meaningful at this stage. Most of these deals were done probably late last year or earlier even this year.

But in a few of the territories that are listed there we've started to put some of this together. And I think as we discovered in the U.S., these will take a while to really get going and become major contributors.

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But by the time we've figured it out and got it working, it will be well before I think the cable guys really get their act together on the bundles. So I do believe we're very well positioned.

That completes my comments for this section. I'm now going to turn it over to Bappy, who will give you a little bit more detailed discussion about Brazil.

[VIDEO PLAYING]

**Luiz Eduardo Baptista - DirecTV - General Manager - SKY Brazil**

So morning, everybody. I'm Luiz Eduardo Baptista, General Manager of Sky Brazil. It's a pleasure to be here with you introducing you to figures about Brazilian operation.

First of all, I would like to provide you a bit of a sense of the country. Brazil is a large country with 190 million inhabitants with 50 million TV households. Pay TV in Brazil is recent business. There are 15 years that this business was implemented in Brazil.

And because of several different reasons, the penetration is still low, as already mentioned. In fact, it is the lowest in all of our Latin America operations, is 9%.

It's also important to provide to you information about the country because in the last five years Brazil became much more stable than ever. Inflation is around 3%. Social issues has been treated accordingly.

And we do expect that the [middle] class will have opportunities to assess other markets.

And as you know, middle class in Latin America really huge. So we do envision in the coming few years large opportunities for pay TV in particular.

We control 90% of the digital subs in Brazil (inaudible - highly accented language). In fact, we do have (inaudible - highly accented language) everything already mentioned by Bruce here in the upcoming three years without having to invest additional CapEx to provide these services.

Cable has 10% of the digital services and in the overall market we have approximately one-third of this market share.

Our strategy, already mentioned by Bruce here, it's pretty much the same as in U.S., is to enhance the best TV experience.

We are positioning ourselves as the TV specialists in country and I would like to add up one important change that we did recently in the light of the merger between Sky and DirecTV.

Sky used to operate under a sales model and as a result of that, until September, October last year we used to charge something like \$150, \$170 in terms of hookup fees.

By changing everything into a lease model and taking advantage of the (inaudible - highly accented language) efforts in terms of reduction of CapEx costs, we were able to move everything into a leasing model and you see the results in terms of -- the recent results in terms of sales that we're experiencing now.

In terms of programming, we offer the very best possible programming. We do have specifics in country, such as Globo content. Globo content for pay TV is really important. And we do have all the possible Globo content available.

We have also all the rights, as already mentioned by Bruce, for sports, especially soccer, which is the most important sports in country.

And recently we started to develop partnership with -- to provide broadband services with telco companies. We are in the early stages. We've been working with them for the last two months.

We are still making operational adjustments, but we do envision a possibility of pumping up sales in 10% to 15% range in the upcoming quarters as a result of these partnerships.

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In terms of service, despite the fact already mentioned here that we are finalizing the migration and integration between the two platforms that we will expect to end by July this year, we are still providing a great service in Brazil.

So this is good news for us because when you are integrating, migrating customers and facing competition, sometimes you don't pay that much attention to service. But we are very proud to say, as you already heard here, that we were five times in a row winner of the Brazilian version of America J.D. Power.

So we are really serving customers well and a result of that we are managing the company at 1.3% churn on a monthly basis level.

In terms of technology, that's basically what you already heard here. There are small differences between the platform in Brazil, Mexico and PanAmericana and U.S.. So that gap has been reduced every quarter and we do expect to find full alignment during '08.

Just talk a little bit about sports. I don't want to [spend] that much here. We do have all the games related to the Brazilian Soccer Championship.

It's a long season, it's eight month season, and on the top of that you have three other months for regional championships. We do have the right for all of them.

And one important issue here is that despite the fact that there are competitors showing games, we are the only ones that can show all the games simultaneously wherever -- despite the fact where you are in country.

In terms of other sports, we do have interest also in other sports in Brazil, but that's not a big interest, such as in soccer. But we do have niche programs such as golf.

Golf is doing a lot in Brazil. We did agreements with ESPN and ESPN Brazil and together with the content, the international content that they bring to our platform, as mentioned by Bruce, we can see all the great Brazilian players world-wide, regardless where they are, we can watch them or because we do have the rights or because we do have the channels that have these rights.

In terms of non sport in programming, we have local content.

As I told you, Globo is by far the most important content provider in country in terms of broadcasting and also in terms of pay TV. So they did a great job in the last year. They helped this business to grow.

And six of the top 10 audience ratings for pay TV are channels related to Globo. So we do have all of them.

We also have other pay per view events and we added the shows like Big Brother. The last version was a huge success. Despite the fact that we are in the seventh version, we were able to grow 45% on the top of what we did of the very best year previous.

So we do have adult content also to complete our a la carte offer.

Our customer proposition is based on the following.

We have two basic tiers, the basic one and the extended basic one, so you can enter the system acquiring both of them. The (inaudible - highly accented language) -- the first (inaudible - highly accented language) is like \$42.

And in combination of this two packages, you can acquire other a la carte services, such as pay per view movies, sports events, a bunch of ethnic channels and some other offers.

And you can also have a sort of McDonald's proposal, which is you have combos up to one to five.

So if you acquire this combos, you are entitled to have additional discounts. And the higher the hookup, the higher the monthly fee that you're going to bring to our company, the lower would be the hookup.

So if you remind, as I told you a couple of minutes ago, we used to charge something like \$100-something per sub in terms of hookup, by doing this we were able to drop hookups from zero to \$75 depending on what will be your commitment in terms of content, ARPU, and turn.

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As a result of that, we're able to get in the last six months something like \$60, \$61 in terms of sales ARPU.

Service infrastructure, I like to spend a little bit more time here to explain to you that we do have a different type of operation in Brazil because sales and installation are done basically by the same company.

So we don't see, at least in Brazil, salespeople complaining or blaming installers or vice versa. So we have Brazil is a large country, is a spreaded country, so we have 280 distributors that allow the sales force to get the equipment on time.

We have 140 district dealers. These guys manage a sort of micro regions, so these are the guys that controls the relationship with customers in these micro regions and they are the only ones allowed to do technical services, not installations but technical services.

And we also have 1,900 partners. These are the smaller ones in a very, very long distance city where sometimes a technician confuses himself with a partner, like the guy does everything on his own.

So these guys are supposed to sell and to install, but not to treat the relationship with the customer when they do [give] them the technical assistance.

Nowadays we do an activation in up to four days. 100% of the sales are pre-check, so the quality of these subs are really good. And we were able to do something like 1 million work orders per year with that structure.

On the service side we have one call center. Two-thirds of that call center is outsource, one-third is controlled by ourselves. And the reason here is simple; everything related to intelligence, such as retention, negotiation, managing traffic, managing procedures, everything that is about intelligence is controlled by Sky.

And this 140 district dealers, as I told you and I just explained to you, these are the guys taking care of technical assistance.

So we don't have these 1,900 guys dealing with technical assistance, only with installation.

As a result of that structure, we won for five times -- five years in a row the Brazilian version of J.D. Power in our segment.

In terms of technology, as already mentioned by Chase and Bruce, the key issue here is the alignment with DirecTV U.S.

We do have a different operational system, so it's going to take us a little bit more time to get to that full alignment. That, as I told you, will occur by the end of '08.

But we are doing a lot of things. The things that we were able to do so far, we are doing and [implementing] such as the new standard set-top box, which is quite closer to the U.S. version. It's called D12.

Only in the last 12 months we got a 12% reduction in terms of costs in dollars based, if you consider that the Real appreciated something like 10% in the last 12 months, so it's a hell of a gain, especially when we are trying to move from a sales role to a lease role.

It provided us not only cheaper acquisition costs, but also to be more competitive in the local market.

And this box, of course each new version always brings new enhanced features. We also have a legacy at Sky of DVR version. That first DVR launched three years ago, was launched in a very early stage in Brazil.

As you may know, to sell a DVR it takes some time to explain, so maybe the market wasn't that mature and we were not that able to explain it accordingly.

But we learned a lot in the last three years and we decided to replace that version with a new release in June this year, bringing software upgrades pretty much similar to what we do have in the U.S. and PanAmericana right now, but not exactly the same version.

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And in order to get that [order] we made an alliance with a temporary supplier, a South African company called [UEC], and we do expect to count on their services up to the moment that we'll be able to fully integrate the boxes in U.S. and PanAmericana. And the main features are pretty much the same ones that you are aware of here in U.S.

What are our next steps in terms of technology?

As I told you, high def and DVR set top box, we do envision that customers that we may target with these products are pretty much the same in Brazil, so probably we would keep the phase of launching one new DVR release and another HD box.

So probably going to go with the American version of this combined figures.

We do expect to launch it in Q3 '08. And we also expect to launch the new advanced program guide to be pretty much the same as you do have in U.S. now with similar features also in Q3 '08.

So we are preparing everything to get fully aligned with U.S. by the end of '08.

In terms of infrastructure, Tambore is the uplink center that we do have in Sao Paulo. It's 30 minutes away from Sao Paulo. It's the largest broadcast uplink center in Latin America. It's the mission critical facility.

We do manage 100% of Brazilian operations by Tambore from Tambore. We control 14 transponders serving Brazil right now, five transponders serving PanAmericana. We manage the conditional access entirely from that facility.

And we also serve as Latin America data hub because we serve SAP services for the entire region and technical support also for these countries. So it's technological center, not only a broadcast and uplink center.

Our satellite nowadays we have 204 channels serving Brazil with 14 transponders. There's going to be a new release in 2008, a new satellite.

That new satellite will enhance our capacity through 18 transponders corresponding to 270 video channels.

So just for you to make a correlation, to launch a high definition channel you need at least six video channels. So if you compare, we going to have space for 10 additional HD feature channels by the end of '08.

We doubt that we're going to have 10 HD channels fully served in Brazil at that time, but we will be ready if something like that will happen.

In terms of key metrics, I really consider that 2007 is a big year for us. Sky Brazil nowadays as a result of the merger between DirecTV and Sky, as mentioned by Chase, it was approved in late '06.

So we are finalizing the migration and integration right now. So the 2006 figures are somehow masked by it.

But if you do consider the number of subs that we ended up last year and because we are still integrating the companies, it's quite surprising that we were able to project growth this year in terms of sub days of more than 11%.

So despite the migration and the integration, we succeeded not only in managed churn, but also subscriber growth.

Of course this 360,000 expected new gross additions this year will come mostly because of the new strategy in terms of leasing and reducing hookups.

So monthly churn lower than 15% a year, probably going down to 14% in the upcoming two years

In terms of the metrics as a combination of currency appreciation and also new content that we were able to launch, we were able to make more money and to provide additional offers and new combos for our subscribers.

So as a result of that, you can see that there was a huge increase in terms of the ARPU.

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Of course we don't expect this type of growth or this type of plans in the upcoming three years, but we are quite confident that we can do somehow like \$2 to \$3 per year additionally to this \$53.

In terms of sub acquisition cost, despite the Real appreciation of almost 10% in the last year, we were able to drop it from \$389 to \$365 and probably, because of the additional scale [days] that we're going to have in the upcoming future, we will be able to reduce it even further.

And in terms of [pre-SAC] margins, we do expect to do 36% this year and in the upcoming three years we do expect improvements like 2 points (inaudible highly accented language) per year.

In the financials, net revenues around \$900 million this year. Operational profit before depreciation and amortization around \$250 million. These are our expectations today.

The CapEx, as you can see, mostly related to acquisition so the relationship is clear, eight to one. So we are mostly investing to acquire subs.

The infrastructure is pretty much robust and we are confident that the current structure that we do have will be able to serve additional and incremental subs in the next three years without additional CapEx or material CapEx here.

And as a result of that, we were able to bring the -- we do expect to bring the company this year to \$180 million cash flow level.

So that's it. I'm going to hand it now to Jacopo Bracco, DirecTV General Manager PanAmericana.

[VIDEO PLAYING]

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**Jacopo Bracco - DirecTV - SVP & General Manager - DirecTV PanAmericana**

Good morning. I'm going to go straight to the market numbers.

So PanAmericana region has an estimated 130 million people, which is about 34 million homes. And the pay television market is still relatively underdeveloped. We have an approximate 30% penetration.

And so what we see is the economies grow, the purchasing power also grow, and effectively it provides millions of other additional households the opportunity to enter the pay television market.

So in fact we have been seeing in the last -- in the last few years an increase and actually a strong demand for pay television services. And obviously people are looking for choice, quality and variety.

So what we do is we believe we have the best product and therefore we're well positioned to actually take advantage of this growth.

So with respect to competition, our competition is quite intense. There are plenty of dual and triple play offering, broadband and telephony.

There are some operators that offer bounties, so just like in the U.S. for DirecTV subscribers willing to switch to their service. It also speaks to the quality of our subscriber base.

There's a prevalence of cable overbuild in the main urban markets, as well as a pretty broad phenomenon of piracy and informality, which makes price competition aggressive.

However, at the same time the industry is really undergoing a rapid transformation in two fronts. I think we heard already about the digitalization of the cable networks.

Many of them are doing that and this gives us an opportunity as this is really going to reduce piracy over the long-term, forcing these gray markets households to shop for legitimate service. And some of these are likely to choose DirecTV.

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Now, to give you an idea of the size of the informal market, there aren't obviously any official statistics, but the -- in Columbia the National Commission of Television, which is the regulator, has estimated that perhaps over three million homes today receive some form of pay television service that is not reported.

On the other hand, the industry, particularly cable, is rapidly consolidating.

And what's really driving that is their interest in the telecommunications services, broadband and telephony.

In Argentina, for example, the regulators are revealing the merger of Cablevision and Multicanal, which, if approved, would form the second largest pay television company in the region with two and a half million subscribers, only behind obviously DirecTV and Sky.

In Columbia, Telmex has announced several cable acquisitions, which, if approved, would give them a 50% market share of the reported market - of the reported market.

And just 12 months ago they were not present in the pay TV market in Columbia. And finally, I think it's worth mentioning Telefonica, who has been moving quite aggressively in the last 12 months.

They have launched a DTH platform. It is operational today in Chile, Peru and Columbia. They've also announced plans for IPTV, but obviously they are now concentrated on the satellite platform.

So consolidation also brings us an opportunity as again helps formalize and stimulate the market and stimulate more demand. And we should not forget that they're busy actually building their telecommunication infrastructure.

So finally, as we look at broadband in the PanAmericana region, we have about four million homes that -- actually four million broadband homes and about a third are served by cable.

DSL and telcos really dominate the market currently, which also give us another opportunity for growth through our alliances with the DSL partners we have in Chile, Columbia, Puerto Rico and Argentina.

With respect to strategy, in the past three years, and it's still our main objective, is to grow profitably.

How we do that, again, we concentrate, as we have heard already a couple of times, service, content and technology. But really, perhaps the unique thing about PanAmericana is that we really concentrate on many different markets.

And we do that with equal intensity. And to do that we have really built very strong local organizations that can really adapt our product to the local market conditions.

So it becomes even more important for us to really seek efficiencies and synergies and we do that again through the synergies within PanAmericana itself and with Sky Brazil, Sky Mexico and also DirecTV U.S.

We also put in place an appropriate, I think, incentive and accountability system that really aligns all of the interests of all this management team.

Then on the marketing side we really take advantage of the power of DirecTV brand. It is really our product.

Our brand is really perceived and recognized as the best pay television product in the region. It's very aspiration; it's really the product everybody would like to have.

So a couple of years back I was in Peru before the launch that we did and in a conversation with a cab driver, he knew that DirecTV had hundreds of channels and was really this great product, even though we had never been in Peru.

And we finally launched March last year.

So finally, because of that, really our ability to succeed, that is really about fitting the right product to the right customer.

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So we have a segmentation strategy which really is about offering many different products at very different price points, each of them with an attractive financial return for the company.

And then we also have to sustain our brand leadership to again content, service and technology.

So in the content area, sports first, obviously.

What we do is really we have a lower market share in our market than Sky Brazil and Mexico, so we really work together with our free to air broadcast partners as well as third party channels.

But then we also create and differentiate our offering to really complement and really enrich our offering, make it unique. So we create the destination for soccer fans, which obviously is the main sport in Latin America.

It's called Football Total. It has started, as Bruce was mentioning, with the World Cup, soccer World Cup in 2006.

So what we had was a nine month lead-in to the Cup with a channel 24 hour wholly dedicated to the event where we had the qualifying rounds, we had previous World Cup games, we have produced shows.

And then during the event we were the only place where you could see all the games live and also we were, for the first time in Latin America, we broadcast all games in 16x9 format so we could -- that's the wide screen, which really starting to -- which we're really starting to see a grow of the flat panel television in Latin America.

Once the World Cup was over we were able to secure, again with Sky Brazil and Mexico, the rights for the Spanish League.

And as Bruce and Bappy have mentioned before, this is the premier soccer championship in the world. So many Latin players, Latin American players in that league. So we have all games.

And we do again highlight some other shows that we produce and make it exclusive to DirecTV subscribers.

We also have a bonus coverage of the English premier league. It's also a very high quality, also provides us a showcase for our wide screen services.

And finally, again, Football Total today has plenty of shows and you have again a demo of our services. There's plenty of our own produced shows with highlights, pre game shows, halftime, et cetera.

And other exclusive sports, we have the golf channel, which is exclusive to us. It serves a small yet very important [A&B] demographics. Baseball is very important in PanAmericana. It is the national sport in Puerto Rico and Venezuela.

It's very strong in Columbia. So we take advantage of the Extra Innings package and we also take advantage of the Strike Zone channel, which is our -- been extremely popular in both markets. We do the Spanish narration of many of these games in the Strike Zone channel.

An example of how synergies go both ways, we actually make that Spanish narration available both to Mexico as well as in DirecTV U.S..

We finally have some other niche sports. Well, the NFL Sunday Ticket, which all of the Americans ex-pat subscribe to.

And we also are launching a reduced version of what DirecTV U.S. has here, the DirecTV NASCAR Hot Pass. We're taking advantage of the popularity of the Colombian racecar driver Pablo Montoya.

Outside of sports we really have the most complete international lineup of programming and those are the brands that you're well familiar here in the U.S. and they have very strong presence in Latin America.

But we also carry on the satellite the most important local and national channels, really giving us the most high end and cosmopolitan flair of all operators.

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Then we have our showcase, which is OnDirecTV -- you saw a little bit the clip earlier. OnDirecTV is a channel we use to really promote DirecTV to our subscribers and it's obviously exclusive to us. It features the best in the music scene, has concerts.

Well, I'm sure you're all familiar with the Reggae king, Mr. Donald Marr. I guess maybe not. But we have other people like Pink Floyd. So anyway, we really serve different audiences through our music series.

We also use it to promote the wealth of programming of DirecTV. So our third party channel partners, they come to us and they want to showcase their up and coming series around DirecTV first, so we have countless marathons, exclusive previews and the like.

And things like we had the preview in the region for Rome, 24, we have -- every year we have marathons, The Sopranos and shows like that that are also very popular in Latin America.

And finally, we complement with our own productions, which do fairly well. We have a rating system. We're able to see how they're doing.

And segments such as Update999 and OnHollywood, really talking about the entertainment world in a fun and exciting way and really making people part of the DirecTV experience.

Finally, a couple of other things. Well, we have a very rich offering of audio channels, also of local radio stations that we broadcast through the satellite. They are all in digital quality, making it very attractive for subscribers.

And lastly we also recently launched a segment for soap opera fans. Of course soap operas are very popular. It's called D'Novela.

So, customer proposition, of course every single market has their own different commercial proposition.

So it is really adapted to each market, but what really distinguishes or what really makes it a common ground everywhere is that we have a really broad range of prices and products.

To give you an idea, our monthly prices to consumers, currently they vary, that's for a single box configuration and this is for our general service, anywhere: from between \$21 per month to \$93. And to join customers will pay up to \$100 up front, depending on the promotion and the country, to join DirecTV.

Now, if we use the packages which we recently introduced in Columbia just in November last year, I think we can illustrate the point a little better. So the most basic package is called the Flexi.

It's really close to the heart of our packaging strategy. It's about the flexibility and about giving the customer the ability to build the programming as they want.

So Flexi is a small basic service at \$23. Then customers at the \$35 price point can choose from any of three different basic packages tailored to different interests, so family, movies, news, et cetera.

Finally, there's the Preferential package, which is really all of the -- it's our richest basic package.

On top of any of those five packages people can buy any of our very rich premium service offerings.

You see some of the brands there which you're familiar obviously, our HBO, the other -- Movie City, which is our movie -- which is another movie service available in Latin America.

And those premium services are priced anywhere between \$6 and \$17, so really that's -- really allows people to find their own niche.

Our strategy is to over time upgrade people to higher consumption tiers. And we really incentivize that but we don't push it too hard because we want people to find their comfort zone, their comfort consumption zone, and really stay in our base and really allow us to grow faster.

So an example of these incentives, we spoke about the Spanish League.

The Spanish League is available, as you see, as a premium service, but it is only as a premium service for Flexi plan subscribers.

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So if you're a Preferential subscriber, that is included. So we basically help migrate customers up in that packaging structure.

As we mentioned already before, we launched DirecTV Plus, our -- to us, DirecTV Plus is really a product targeting the A&B demographics.

This are the prime demographics in Latin America, very high purchasing power, very high consumption, but also it is a segment that is highly penetrated. So the way we've introduced this product it is really a service. It is not a technology.

So our prices there, our DirecTV Plus customers, they have included in their packaging some premium programming, in some cases both movie - premium movie services are included, the HBO and Movie City.

We give them VIP customer service, a special phone line and white glove type installation and in-house service. And of course we include our DVR technology to those subscribers.

They also have less limitations in getting additional boxes for the home. We do push that service as well a lot on this segment.

Now, as you can see from these prices, the up front fees are substantially higher than for our general service.

They range anywhere from \$30 to \$260 up-front. And on a monthly basis the packages start at \$45, so more than twice what our general service starts.

So what we're doing, we're aggressively marketing DirecTV Plus and our objective is really to try to get to a 5% penetration in the first 12 months of operation.

And we have a month and a half and we are really pleased with where we are at this point.

Now, to really -- on the other side of the demographic spectrum we have recently launched, and this is in Venezuela alone, it's a pre-paid service. So how does it work?

It is -- we're not as familiar in the U.S. with prepaid cell phone service, but it's very prevalent in Latin America. It's a pay-as-you-go product.

You basically add cash to your DirecTV account using any of these prepaid phone cards and dialing into our IVR, giving the code.

So basically building credit into your account. And then the service remains active, every day the balance is reduced, and when you finally reach a zero, the service automatically disconnects.

So what happens is this product we actually do not lease the equipment. We sell it. And the installation -- and we do not provide installation.

So customers get that from third parties. Typically the retail stores that will distribute this will help or they will self-install.

It's very attractive for a very large segment of the population that really lives and works in this cash economy, very strong in Latin America.

They typically do not have a bank or banking relationship, definitely not a credit card, and really are concerned with making any type of long term commitments.

Give you a scale of the opportunity, in Venezuela alone there are 15 million pre-paid cell phone lines active today and there are only one million users who actually have a cell phone contract. So a relationship 15 to 1.

So in our offering in Venezuela, our up-front fee, again that includes the box and the satellite installation kit, it's \$115.

There's a very small package of only the broadcast networks, which may be interesting for somebody living in a rural area and no access to a free to air service. It's \$5 per month, which is really a satellite connection charge, and then the basic package of \$27.

On top of that, people can actually buy pay per view and our pay per view offering includes obviously baseball, the Liga Espanola, adult and pay per view movies.

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If we're happy with the results of this product in Venezuela, we have now -- we launched it in June -- September, September of last year, we will begin deploying it in other areas.

Service, I'm not going to spend too much time on it other than to say we really have the leadership position pretty much in all markets.

What I'd really like to make a point is really -- service is really a process of continuous improvement.

As the company grows and it grows fast and as our competitors also improve, we need to stay ahead of the competition.

So how do we achieve that? Again, because we operate in several markets, we have the opportunity to benchmark every single operation and really find the best practices.

We end up obviously finding them in some specific geography in Latin America in one of the various operations.

When it's identified, we then roll it out to pretty much everywhere. And we have the organization capable of doing that.

So to give you an example, just recently our Argentine operations have begun a process called Latin Express, which is basically a new technical visit process or organization.

It allows effective in the main cities of Argentina to drop the average time to wait for a visit from three days to less than a day.

You basically have trucks in the city and they are able to do 90% of the -- to cover 90% of our service needs.

We also have, and Bruce has mentioned that, we have not one but two Pan-regional call centers in Argentina and Columbia.

The Argentine call center covers Peru and Uruguay as well as Argentina. And our Columbia call center, which is very new, has begun operating service in Puerto Rico.

We will soon expand that to serve other markets as well. With this, it's really not only an issue of efficiency, it's also an issue of improving the quality of the customer experience.

We have, as Bruce was mentioning, a very good service culture in Columbia, very low turnover. And so we really have improved our service in Puerto Rico tremendously in the last few months.

Technology. Now, technology, should not be apologetic. You heard it already. But I think we very much boast the best technology in pay television nowhere -- none of our competitors are anywhere close to where we are today.

So first of all, we have this same technology as DirecTV U.S. has today in the U.S. market, which means it is the most advanced not only for Latin America, it's probably the most advanced in the whole world. And it is immediately available in Latin America, so directly.

We are just a few months behind now with DirecTV U.S. and we are bridging the gap of that adaptation time. Our hardware is exactly the same as DirecTV U.S.

But secondly, and I think it's very important to reiterate this, the attributes that have made us successful until now are still valid.

So the digital quality, image and sound, the dual audio and electronic subtitles, the advanced program guide, the widescreen, 16x9 transmissions, which can make available to all of our universe of boxes, including those that were deployed many years ago, and also we have a very friendly channel numbering where we group all of the channels according to area of interest, so that if you're looking at news or world [stuff], you can just surf up and down a few channels and pretty much find all that's your interest.

On top of that we have a rich interactive television offering. For those of you again who are familiar with DirecTV U.S., you probably see what we offer is not very different.

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So in the U.S. we have the NFL Sunday Ticket with 10 -- a screen with eight games and interactive statistics. Well, we do that same thing for soccer, for Spanish soccer, for the World Cup we did that.

We have interactive statistics on baseball and we'll soon have again the NASCAR Hot Pass.

We're also going to be launching this year the interactive gaming applications that the U.S. has also launched recently and we think that's very interesting particularly in Latin America.

And we think it's a particularly good opportunity for the lower priced packages.

Obviously there are many households who do not have gaming lounges in those markets and can really take advantage of these services.

But really what I think I'm really pleased at is we really have these new developments and we have many other developments coming in the very short-term that are going to even strengthen our position.

We have, I think, as I mentioned, [match lead] now and I think what we will have is a sustainable competitive advantage because as DirecTV U.S. keeps on investing very rapidly and really leading pay television here, and that will make it available in Latin America, it will make a very powerful product.

So we've launched the DVR in '07. The reception has been impressive. The customer research is really at levels that are unprecedented for us. And we expect, just as in U.S., an acceleration of demand for that product.

Obviously today there is still a price barrier up front and we can regulate that to achieve our targets.

We'll further enhance the DirecTV product this year in the middle of this year with this interactive application called Cartelera DirecTV Plus. What it is, it's video on demand-like product. It is an interactive video library.

So each week in our many channels we have over 2,000 movies being broadcast. So and it's a lot more than most people can really have the patience to look for or the interest in watching.

So what Cartelera does is really categorize, simplify your search among this very large selection of movies and make it really available for everyone to build their own on demand library on their own DVR. We're launching that in August and it'll be a key feature of our marketing.

Finally and probably one of the most exciting developments at this point, thanks to the consolidation of our satellite fleet and the final transitions of post merger in Brazil, we're going to be able to expand the capacity of DirecTV PanAmericana by about 25%.

So that will allow us to add additional local channels and also to launch high definition service in 2008.

So, I wanted to share with you, this is our growth in the last three years. We have seen this growth accelerating, but at a compounded annual growth of 15%, really reflecting the many changes we've put into place and also the market demand for the service.

So, going to metrics, we sold 440,000 new systems last year. We expect that to increase this year at approximately 530,000.

Our churn, we're expecting it to go down a bit. It is typically negatively impacted by the growth as in PanAmericana. The churn rate in the first year of service is higher than the average churn rate for the base.

So with this churn figure and the starting point, we are expecting to reach 1,560,000 subscribers, that's obviously an approximate figure at this point, which represents a growth of over 20%.

Our ARPU's and pre-SAC margins we're really working to and our objective is to maintain them (inaudible - audio gap) high growth.

As I was mentioning to you, the subscribers, they tend to enter at the lower price packages, as over time they tend to upgrade in their price structure. So with the rapid growth they tend to depreciate our ARPU's and margins.

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And we offset again that by the upgrade efforts, by price increases that are in the recent past and we expect also in the near future. Price increases should exceed the any effects of foreign exchange fluctuations.

And also we are now able to do our push into higher margin, higher ARPU segment with our DirecTV Plus service.

So our total revenues for the year should be in 2007 approximately \$720 million and our cash flow before interest and taxes a positive \$30 million. Cash flow number obviously clearly impacted by the investment on growth.

And in addition, I think it's worth mentioning there's an impact due to the consolidation of the satellite and the uplink services. So this increases our satellite costs. Our satellite costs are actually above the guideline.

And also our CapEx, the increasing CapEx on non-SAC related is mostly related to the fact that our broadcast center is now fully allocated to DirecTV PanAmericana, so it is not an increasing cost at the DirecTV Latin America level.

It is just a different allocation and the fact that we are increasing again that 25% capacity I mentioned earlier.

So with this, I have concluded. I think I'm going to -- I think Jon is coming up, so thank you very much.

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**Jon Rubin - DirecTV - VP - IR**

We're just going to -- we're just going to take a short 10 or 15 minute break.

So I encourage everyone there's the PanAmericana service right outside, so please feel free to check it out and we'll be back in about 10 or 15 minutes.

[BREAK]

## PRESENTATION

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**Jon Rubin - DirecTV - VP - IR**

Okay, we would really appreciate if everyone could come back to their seats so we could get started. And I'd like to introduce Alex Penna, General Manager of Sky Mexico.

[VIDEO PLAYING]

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**Alex Penna - DirecTV - General Manager - Sky Mexico**

Hello, good morning, everyone. I'm Alex Penna, CEO of Sky Mexico. One of the benefits of being the last one to present is that I believe I can, if I'm covering very much the same subject, I can be shorter in my presentation, so that's what I'm going to try to do. Let's move on.

Mexico City, Mexico as a country has over 100 million inhabitants with more than 22 million TV households.

The pay TV penetration in Mexico, it's about 27%, of which Sky Mexico has 25% of this market, which totals over six million TV households.

In terms of total subscribers, Sky has of December of last year exceeded 1.4 million subscribers.

And competition in Mexico in the pay TV industry is very fragmented because the cable TV systems have more than 600 companies operating throughout the country. So it's very fragmented.

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But there in this slide you can see the major competitors we face from the cable TV companies, which are Megacable with more than 900,000 subscribers, Cablemas with a similar number, [Multivision], MVS, which is [MMDS Systems], with close to 700,000 subscribers, Cablevision with -- which is also a subsidiary of Grupo Televisa, with 500,000 subscribers, and over 1.6 million subscribers spread out among the other 600 cable TV systems that operate in Mexico.

*In terms of broadband subscribers, there are close to 2.8 million in Mexico and the cable industry provides broadband services to approximately 25% of this universe.*

Our strategy is very unique to the other platforms, as you can see. We rely upon three -- the very same three legs of the other platforms. We have emphasized throughout the years having exclusive content to our offering.

We believe that we provide a pretty good client service, particularly compared to the competition of the cable companies operating in Mexico and also technology is pretty much a differentiator for us.

Similar to the other platforms, but I would say even stronger than the Sky Brazil and DirecTV PanAmericana, Sky has always relied upon in Mexico to the exclusive content that was originally provided by Grupo Televisa.

We have over the last six or seven years counted on over 20% of all the Mexican soccer league games in Mexico on an exclusive basis and, as Bruce pointed out earlier, we in addition to that have the right to block the signal in various cities throughout the country when the local team plays.

So in addition to the exclusivity of the games, we have those blackout rights, which has obviously helped us throughout the years to add subscribers because of the high level of interest in soccer in the country.

In addition to that, in 2006 we were the only television system in Mexico to have more than 50% of the World Cup games on an exclusive basis.

And as you're going to see later when I show the numbers, that also helped to [boost] our sales in 2006 in a significant manner.

Liga Espanola, we also have on an exclusive basis different from what the PanAmericana and SKY Brazil did, which they sublicensed the part of the games to ESPN. We in Mexico have kept the whole league games.

And that has also been a very successful project for us. MLB Extra Innings, NFL Sunday Ticket, boxing fights, all those have been important.

The last three, MLB, NFL, and boxing fights, we offer to our subscriber base on a pay per view basis. And year after year, we have been able to sell more pay per views based on that content.

Non-sports exclusive programming, we have had a tradition of showing 24-by-seven reality shows in multi-channels in our system in Mexico.

Big Brother, Confianza Ciega, and El Bar, those are examples of those reality shows that we have successfully leveraged to achieve further sales and new subscribers in Mexico.

SKY ONE is a new channel that we launched about ten months ago. The initial purpose was to include programming from Groupa Televisa also on a 24-by-seven basis. All the reality shows produced by Groupa Televisa.

*And on June 15th, we're going to be relaunching this channel with a variety of programming content in there, some of them provided by DirecTV U.S*

And we also offer on an exclusive basis a number of concerts and other events, like the ones you can see there.

Our customer proposition has to do with aggressive promotions focused on hook-up fees and multiple set-top boxes as well as incentivating the credit card as the preferred form of payment.

Based on experience, those subscribers who provide their credit cards for automatic charges in there have better credit history than the other form of payments, being those debit cards or cash.

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We also consistently offer direct promotions against the cable operators in Mexico, offering new subscribers that come and show that they used to be a cable subscriber, we offer certain facilities and certain promotions to attract them. On that pie, you can see how it's conformed our subscriber base.

More than 50% of our subs are in the fun package, only 23% in the basic package, and then the premium package the balance.

In terms of service infrastructure, you can see there we operate sales and installation through nine master wholesales and 17 direct sales offices of SKY Mexico. From there, we have over 1,600 dealers, which translates into over 3,300 points of sale.

We also handle in-house direct sale, like telemarketing in and out, internet, MDUs for building installations of SKY and buildings in Mexico City, and also we have points of sales.

Installations on average take us two days to do it. And we do so using our workforce of installers, over 3,300.

And in addition, we also, just to give you an idea of the magnitude of our operation, we handle over 1 million work orders on an annual basis.

We do have an in-house call center, which handles over 750 incoming monthly contacts, most of them by phone. We have had a service level around 94%.

The difference is the level of abandoned calls or calls that we can't handle. And we also handle a large number of emails daily, which 98% of them we answer within 12 hours.

In terms of technology, I think all has been said. We have our technology which is exactly the same as SKY Brazil.

As Doug mentioned, we are in the process of aligning our technology to DirecTV U.S.

And that is going to take the roadmap that was presented by Bruce over here. In addition to that, we have handled interactive features, provided that to our subscriber base.

During the last World Cup, we offered multi cameras. Transmission was a very big success in Mexico, also stats on the screen.

And we also recently relaunched a game suite pretty much for kids, despite the fact there are some adults that also like to play that.

Our programming packages offer, as you can see there, we handle five packages, ranging from \$27, the cheapest, up to \$65.

All of them offer 50 audio channels. And in terms of video channels, the range begins at 77 and goes all the way up to 137.

The only other comment that's relevant there is that with remote in terms of TV advertisement and at the point of sales from the front upwards and the basic package, we pretty much do not promote, just offer at the point of sale.

We have 12 mosaics, easy to find all the programming by genre. We have developed those mosaics in Mexico. And they are highly appreciated by our subscriber base.

Different from the other Latin America platforms, we do have a magazine in Mexico that we sell to our subscribe base. And we currently have close to 400,000 units sold per month.

Believe it or not, this is the second largest monthly magazine in Mexico, generates \$10 million of annual revenues and provides us with over 50% margin on that line of business.

In terms of key metrics, as you can see, in 2005, we had record gross additions of 447,000 subscribers.

But that number takes into account, I would say, 90,000 or so subscribers that migrated from the DirecTV Mexico platform to SKY. Monthly churn is about 1.2%, net additions of 250,000.

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And in 2006, which was the year of the World Cup, we were able to add 380,000 subscribers, which was also a record in the 10-year history of SKY Mexico.

Obviously, as the World Cup was played in June, we were able to reduce our monthly churn from the normal 1.2% level to 1% level because nobody cancelled our system pretty much in the first five months of the year.

And we concluded 2006 with net additions of 180,000 subscribers, achieving a total number at the end of 2006 of 1.4 million subscribers.

Our ARPU has been consistently around \$40 to \$42. SAC is in the \$350 to \$370 range. And pre-SAC margin has been consistently freezing. And at the end of 2006, it reached 58%.

To provide you with some guidance with regards to the current year, 2007, we expect gross additions to be in line with 2006, monthly churn to be back to normal levels, meaning 1.2% or thereabouts.

Net additions should be about 140,000. And we expect to break the 1.5 million number of subscribers by the end of this year.

Finally, in terms of financial information, as you can see there, we closed 2006 with total revenues of \$684 million, operating profit before depreciation and amortization of \$326 million.

And this year, we expect revenues to exceed \$750 million and the OPBDA to provide us with a margin of in excess of 45%.

CapEx, similar to the other platforms, most of the CapEx we have been investing has to do with SAC related, has to do with growth of our subscriber base.

Only a small portion of CapEx is non-SAC related. In 2006, we generated free cash flow of \$204 million. And in 2007, we expect to be around that figure.

With that, I return the stage to Mr. Bruce Churchill. Thank you very much.

**Bruce Churchill - DirecTV - President - DirecTV Latin America**

Okay. Thanks, Alex. The part you've all been waiting for, the numbers, but before you get there, I'm just going to do a kind of quick summary. I think on what we've heard about this morning.

Where we see ourselves at DirecTV Latin America is we are--I think there's really four key points I would like to conclude with.

One is, as we've said over and over again, we're the leading premium platform in the region. Our content, service, and brand clearly position us ahead of the competition.

I think the competitive environment is much more benign than it is here in the U.S. We have no satellite competitor to speak of. The cable industry, it varies, obviously, a bit by territory in terms of how consolidated or how advanced it is.

But nevertheless, I think they're in general, you could say pretty confidently, they're behind us on the development curve. They're going to have a fair amount of capital expense to catch up.

And I think it'll be a number of years before you see anything in terms of--comparable to the level of competition that you see here in the United States, particularly in the area of the triple play, et cetera.

Furthermore, the telephony business in Latin America, as Chase said earlier, is very much driven more by the mobile business. And I think that may well create some opportunities for us.

We have an attractive economic structure. I think basically if you look at the ARPU, churn, and SAC figures that we've shown you today that those all combine to make really attractive IRRs and that we can leverage on top of that the scale that we have on our relationship with DirecTV U.S. to continue to improve on our margins.

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And finally, I remain very bullish about growth for the region. It is a market that loves television. Latin American consumers love television.

They consume a lot of television. The pay TV penetration figures that we showed you are low, particularly in a market like Brazil. So I continue to believe there is a lot of room to grow.

Also, as we've demonstrated in PanAmericana, we have the ability to really serve a broad range in the market, anywhere from our DirecTV Plus product down to the prepaid products.

And I think my general bullishness comes from really visiting these countries, which I do, obviously, on a very frequent basis.

Probably a lot of you don't have the opportunity to do that. But if you do, I would encourage you to get out there and take a look.

I think you'll be impressed. [Ben Swinburn] suggested we hold this meeting next year in Rio, which might not be a bad idea.

But also, the other thing is if you don't believe me, I would also point you to this week's Business Week, which picks Columbia as the best emerging market to be investing dollars in.

We've been there for a long time and have in fact been building up our operation there. And we're very bullish about Columbia as well.

We concluded with Mexico. But I guess I'll start with them by saying in my mind Mexico is the model. That's what we all sort of aspire to be.

And frankly, I think my colleagues in the U.S. aspire to be Mexico given those margins. It is our most developed platform.

The consolidation, we really have two years under our belt on the consolidation. And Mexico has clearly taken its first mover advantage to create a dominant market position.

And as I said, I still believe that in spite of some of the investment you see going on in that market, Mexico continue to be the market leader there.

For me, it's at times a little frustrating because we don't consolidate Mexico in our financials. It shows up on this little line of minority interest somewhere, way down below net income practically.

It's frustrating because we do work together a lot. We have a very active partnership role. We do work together to leverage our entire subscriber base across the region.

And obviously, it's an asset that I think has real, great metrics that Alex just took you through.

And I remain bullish about this growth potential. It has had two -- we showed '05 and '06, largely because those were really, I think -- those were two years that were representative of the business. Alex talked a little bit about '07.

And those were great years that were maybe--had the additional benefit of the migration from DirecTV and the World Cup.

But nevertheless, even this year, as he said, we're looking at adding in the range of 140,000 subscribers there.

I would expect that to continue. And that kind of growth, that kind of margins, the cash flow is going to grow accordingly. So it continues to be a great asset for us.

I would like to spend a little time then on sort of the consolidated businesses of Brazil and PanAmericana. And where does that get us?

You've seen the individual figures. These figures will then be for the segment level. They will include some expense that is incurred at the corporate level for corporate expenses.

And then there has been some capital in the last couple of years that has been absorbed at the corporate level but going forward will be more pushed down into the regions, as Jacopo eluded to as well.

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So where we see ourselves coming out in '07 is a company of about \$1.6 billion of revenue, OPBDA of about \$350 million, and operating profit of \$120 million, the free cash flow before interests and taxes of about \$165 million.

Looking forward, my perspective on this is that I think we can greatly improve on this performance in terms of the cash flow coming to the company.

And ultimately, I think that's what it's all about. It's how we measure ourselves as a management team. It's what we track.

And if I were to look forward at where the cash flow is going, I think in a sort of three-year time horizon sort of contributing about \$165 million of cash flow, we can contribute closer to \$400 million.

And that's driven by the subscriber growth that I think we can achieve and the margin improvement that I think we can achieve. And let me just speak a little bit about that.

Really mostly on the revenue side, on the subscriber side, we're going to end up this year close to a little over 3 million subscribers.

Again, Mexico is not included in these figures. This is just the segment, the consolidated DirecTV level.

I don't believe it is at all unreasonable for us to assume that we can continue to add just below 500,000 subscribers a year for the next couple of years thereafter.

I believe our ARPU will tick up a bit. There is, as Jacopo spoke about, somewhat of a downward pressure on it as you grow quickly in some of these countries in PanAmericana because early first-time subscribers tend to subscribe at lower packages.

And over time, we work them up.

That's also, I think, compounded by the fact that the prepaid product becomes more popular, it may too drive down ARPU.

But all of that notwithstanding, I think we can get our aggregate ARPU up a couple more dollars in the next few years.

Churn I also believe we can continue to improve on. There has been a fair amount of noise in our business, if you will, as we've done all these migrations and gotten people moved over and et cetera.

So the churn has been, I still think, at very respectable levels, but not as good as it could be. So we have a plan for ourselves to improve it a couple of points there.

And the SAC, as we have also talked about, not a huge change, possibly some upward movement, largely because we're getting more into the premium services, premium boxes, as well as we would like to push as we have in the U.S. the multiple set-top box scenario, which is an important part of achieving the churn goal.

So those are really the drivers on the revenue side.

Just on the margin side, these are the figures for '06. And as I mentioned, there was some noise in '06.

So let me just to be truly apples to apples to the way pre-SAC margin is calculated in the United States, we would need to back out from the operating income line the least expenses that our expense of PanAmericana for '06.

It's not a big number. But it's in there. And there were some gains relating, I believe, to the Mexico transaction.

So when you take all that out and compare apples to apples, we had about an almost 33% pre-SAC margin in '06.

As we go forward, when I look at those components, I think that what you're going to see is that programming expense will actually up tick a bit in '07 and beyond, largely because when we consolidate Brazil as we have driven up the ARPU, nevertheless, there's additional programming

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costs related there, including the global programming, which was not previously included in the DirecTV figures because DirecTV didn't have global programming.

But once we achieve the merger and we've now migrated a whole bunch of people over. And most of them are taking the global programming.

Our ARPU has gone way up. But also, there's some programming cost associated with that. But it's one or two percentage points. It's not a huge amount in terms of when you look at the total base.

And then a lot of the other costs that are largely fixed, I believe will remain so. And therefore, they will decline as a percent of our revenue, particularly things like broadcast operations, satellite lease when that comes out, and also particularly in the G&A area, where in Brazil, we basically had two companies for awhile. We're in the process of narrowing that down.

So I think you'll see a several percentage point increase, four or five percentage point increase on that, improvement on that in '07 and continued improvement in the years ahead so that we would end up in '07 at roughly a 35% pre-SAC margin.

And I would expect to improve that to 37-ish, maybe even better as we look at '09.

So I think today what we tried to do is give you the building blocks for you to go off and do your DCS models.

We've given you the components of subgrowth, ARPU, churn, SAC, etc. So effectively at this point, I feel like I've led the horse to water. And now the question is will he drink?

So as a way to check whether you've done your DCS models correctly or not, another way that we think about the valuation is on a per sub basis.

And what we've done here is just tried to look at what are other satellite platforms valued at around the world.

Some of the ones you see up on the list are actually public companies. Others are large portions of public companies.

And therefore, they get the very analysts, many of you in this room or people like yourselves who do these valuations. Obviously, one of them up there also SKY Mexico, and that's partly us, too.

And then the question is, okay, if you were to take DirecTV's portion of SKY Mexico and the other portions of the other businesses it owns, what might DirecTV be valued out, DirecTV Latin America.

I'll talk a little bit about that 3 million. So what we said is, okay, we would argue that we have 3 million of what we call attributable subs.

And the way we get to that is we use a fairly straightforward calculation that we own 100% of PanAmericana, 74% of Brazil, 41% of Mexico, take the pro rata share of all those subscribers, and you come up with the 3 million subscriber number.

If you were to go back to the previous page and you saw the range was anywhere from sort of -- I think it was 1,800 to about 2,900, I think that we can reasonably assume that the range for DirecTV Latin America easily falls somewhere within the \$1,000 to \$2,000 per sub range.

And it's my personal belief that this is largely for reasons of our own making and just circumstances. There is little or no value built into the DirecTV share price today for the DirecTV Latin America asset.

And so from my perspective, I believe this is a great opportunity to unlock value to demonstrate the value of the asset that we've created. And I hope that we have convinced you to at least take a serious look at this in the days ahead.

So I would like to say thank you, everybody, for their time. I'm going to ask my colleagues to join me on the stage. And we will take questions.

## QUESTION AND ANSWER

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**Bruce Churchill - DirecTV - President - DirecTV Latin America**

We'd like everybody to just talk into the mic so we can hear it on the webcast and elsewhere.

**Unidentified Audience Member**

Hi. A question--you touched a little bit on piracy. But I'd like to maybe get a sense a little more quantitatively of how much over here --

**Bruce Churchill - DirecTV - President - DirecTV Latin America**

Yes, yes.

**Unidentified Audience Member**

--that impacts your business, either on a gross adds basis or on churn basis. It's always a tough question to answer. If you knew where they were, you'd go get them.

But do you have a sense for how much you lost in the grey market, black market in your major operations and how you can go after rectifying that issue?

And then just quickly as a follow up, where is cable video pricing relative to your offers in most of these markets? Thank you.

**Bruce Churchill - DirecTV - President - DirecTV Latin America**

Okay. I'm going to answer. But just so we're clear on the issue of piracy, our product is not pirated.

Our conditional access -- just so everybody's clear about that, we don't believe there are any or any significant number of people actually pirating our service.

When we talk about piracy as an issue for us, it's because, as I mentioned, so many of the cable systems in the region are still analog.

Therefore, they have no conditional access system or an ancient system, like they use traps, like they used to use here in the U.S.

So it's that more, I suppose, what you call grey market sort of piracy. And I don't know.

Maybe you guys want to comment quickly on that and also on the issue of the pricing differential between our product and the local product.

**Alex Penna - DirecTV - General Manager - Sky Mexico**

Basically, in Mexico, most of the piracy historically had to do with the cable companies, with analog systems.

That part of the piracy has somewhat reduced with the cable companies' efforts, the largest one to digitalize their networks. So that still exists. But it is a bit under control.

Another type of piracy that exists in Mexico, particularly in small towns, is buy it, get our decoders, wire the town, and start operating a basic pay TV system for a few bucks.

We continuously, with the police and the local authorities, try to fight that kind of piracy.

And then you have the piracy of the black and grey markets of U.S. DTH systems. As Bruce said, there is no breach of security in the U.S. DirecTV system.

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So those who subscribe to that service in Mexico are those who are in the so-called grey market. They contract the service up here and enjoy it down there.

And finally, the other DTH system, which is the so-called black market in Mexico because of the breach of security in the smart card that they use.

**Bruce Churchill - DirecTV - President - DirecTV Latin America**

The other American system you mean.

**Alex Penna - DirecTV - General Manager - Sky Mexico**

The other American system. And yeah, the card has been consistently violated. And those who buy the service of these other DTH systems enjoy it very much for free with no payment. So in a nutshell, that's all about piracy in Mexico.

To provide you with the size of this market, it's very difficult. But I would say it's in the hundreds of thousands.

**Bruce Churchill - DirecTV - President - DirecTV Latin America**

Either one of you?

**Luiz Eduardo Baptista - DirecTV - General Manager - SKY Brazil**

In Brazil, it's pretty much the same, but the fact that we don't have that American, a fact because we don't have borders with the U.S., of course. So but it's pretty much the same. And it's insignificant.

The piracy-related to DTH in Brazil is insignificant. I cannot say the same with cable, especially in [active use]. They've been struggling to redefine their platform. But I don't think they've reached more than 30% so far.

They've been struggling with piracy for the last ten years because they opened up the business in Brazil 15 years ago with open analog platforms. So it remained this way for seven and a half, eight years.

So we heard that five years ago, the piracy related to cable subscribers and only related to cable subscribers would be like 25%. And they were confident that this number reduced to 15% nowadays.

These numbers are not divulged, of course, because cable operators would not want to pass that impression. But this really, of course, especially you see in the classes.

In terms of competition, competitors in Brazil are selling differently than us. We are trying to sell top down as you saw.

We are reaching substantial growth with \$60 ARPU from newcomers. But competition is selling for, \$35, starting at \$35, in some cases \$30, up to \$75.

If you check the experience provided by Mexico and PanAmericana, and I was talking to Bruce about that a couple of minutes ago, we do have muscles and oxygen to create new products in the upcoming years to pump up sales additionally between the \$40, \$55-range ARPU for new subscribers.

So that's how the market stands.

But it's quite possible in several cities you do have analog systems, MMDS platforms with 29 channels, digital services, such as Net, offering only paid TV channels, seven paid TV channels. And they are very low (inaudible - highly accented language).

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So it's quite hard to compete and to compare apples to apples, selling paid TV six or seven channels in a bundle offer for \$35. It's not quite comparable to sell 170-something channels for \$60.

But I'm quite confident that in the next years we're going to see actual leverage to experience provided here today by Alex and Jacopo. And we're going to do sales in Brazil trying to [penetrate] that market.

**Alex Penna - DirecTV - General Manager - Sky Mexico**

I'm sorry, Jacopo. I didn't answer your second question. It's very much along the lines of what Bap just said.

But to provide you a range of how lower cable TV companies in Mexico are with regards to what we charge for our programming packages is in the range of 15% to 25% lower. Thank you.

**Jacopo Bracco - DirecTV - SVP & General Manager - DirecTV PanAmericana**

Again, as you mentioned, very hard to estimate how much of our churn is related to piracy. I believe it's probably not much. We're priced at a premium with our [desperational] products.

Probably our churn is more related to the fact that people have come in and maybe overextended their ability to pay for service. We had reduced the gap in price between our service and cable.

We still command a premium, even at the low prices that I've mentioned before, the \$23 or \$21 on the cheapest package that we offer.

In every market, we are always ahead of cable. And cable obviously had much bigger problem in that their analog systems can be easily pirated.

And again, there's a big push for digitalization, which is, for example, in the case of Argentina, a lot of the effort that cable is doing now to move to digital network is to make sure all of their premium programming is secured.

And because the premium programming includes soccer, that's going to stimulate demand for them as well as, I believe, for us.

So again, I don't think it's direct. I think it's more of a problem for them. It's an impact to us in the sense that because in the market there are offers now. In Columbia, some informal operators that supposedly offer prices, 70 channels, analog at \$6 a month, things like that.

Clearly, it's an issue on the demand side. There's a bigger barrier to get DirecTV. But again, also with the consolidation in Columbia and also added enforcement, that market will become available and provide us with more opportunity for

**Unidentified Audience Member**

Thanks. Two questions--one, can you give us an update on the state of digital television and the prospect of competition from free over-the-air set-top boxes similar to Freeview in the U.K.?

And then separately, are you seeing any of the cable companies attempting to vertically integrate into programming? Any kind of key programming risks that you face over the next few years? Thanks.

**Bruce Churchill - DirecTV - President - DirecTV Latin America**

On the second one, I'm not aware of any cable company that's made any significant programming investments.

I think when we did our Spanish soccer deal, it caught the whole market by surprise because no deal of that magnitude and importance had ever been done by a paid TV platform before.

And I'm not aware -- maybe you guys want to add to that -- but I'm not aware of any cable company that has any serious programming aspirations. I mean, part of the problem is most of them, obviously, are fairly local.